

1997 NEGOTIATION STRATEGIES/ISSUES

APRIL 29, 1996

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Overall Advertising Category Revenue

- Softness in key advertising categories reported ad revenues (i.e., automotive, direct response, cosmetics, food) offset substantial gains in categories such as drugs and business services contributing to sluggish market performance

TOP 10 PIB ADVERTISING CATEGORIES
JANUARY - MARCH '96
AD REVENUE

<i>Category</i>	<i>Jan-Mar 1996</i>	<i>% change vs. 1995</i>
Automotive	\$332,472,203	+ 1.4%
Direct Response	\$227,830,027	- 10.9%
Toiletries/Cosmetics	\$198,703,164	+ 2.6%
Business/Consumer Services	\$188,171,356	+ 11.4%
Computers/Office Equipment	\$185,451,133	+ 6.0%
Foods/Food Products	\$151,793,066	- 5.7%
Drugs/Remedies	\$150,014,322	+ 39.1%
Apparel/Footwear/Accessories	\$138,761,324	+ 3.1%
Travel/hotels/Resorts	\$129,630,637	+ 2.9%
Publishing/Media	\$80,588,760	+ 9.7%
<i>Top 10 Total</i>	<i>\$1,783,415,992</i>	<i>+ 3.5%</i>

Source: MIN

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Magazine Category Page Trend

- Overall pages down 4% YTD 1996 vs. 1995
 - follows overall downward trend in changes vs. YA
 - see a few category exceptions (*Health* and *Entertainment*)
 - will show reasons by category and magazine
- Don't see big shifts occurring between categories
 - changes more likely due to advertiser objectives and factors at publications such as rates/CPMs

MAGAZINE CATEGORY PAGE TREND

	JFMA '96 PAGES	JFMA '95 PAGES	% CH.	1995 PAGES	% CH.	1994 PAGES	% CH.
<i>Health</i>	615	564	9%	2,791	11%	2,519	12%
<i>Entertainment</i>	3,341	3,167	5%	11,445	5%	10,938	11%
<i>Parenting</i>	1,228	1,180	4%	4,437	3%	4,316	-7%
<i>Dual Audience</i>	5,115	5,191	-4%	19,457	7%	18,248	3%
Women's General Interest	903	952	-5%	3,112	3%	3,011	3%
Women's Service	3,063	3,220	5%	10,078	-2%	10,317	3%
Men's	7,907	8,387	6%	42,160	10%	38,179	16%
Women's Fashion	3,828	4,132	-7%	12,694	5%	12,103	-2%
Shelter/Home	1,444	1,566	8%	10,497	7%	9,810	5%
Newsweekly	1,555	1,762	-12%	6,869	5%	6,546	3%
Supplements	352	459	-23%	1,435	-1%	1,447	1%
TOTAL	29,351	30,580	-4%	124,975	6%	117,434	7%

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Source: MIN 1994-96

Major Company Trend

- Hearst down 14% YTD vs. YAG
- TPV, Gruner & Jahr, Meredith and Time Warner up partially due to moves from Hearst
- Conde Nast down due to stiff rate increases (+9.5%) and a slump in cosmetics/fashion
- Times Mirror, K-III and Wenner slow in Q1 but picking up in Q2

MAGAZINE PAGE TREND 1994 - Q1 1996

MAJOR COMPANIES	JFMA '96 PAGES	JFMA '95 PAGES	% CH.	1995 PAGES	% CH.	1994 PAGES	% CH.
TPV	973	837	16%	6,228	14%	5,478	12%
Gruner & Jahr	1,557	1,414	10%	5,348	-5%	5,620	-1%
Meredith	1,204	1,139	6%	5,467	0%	5,475	9%
Time Warner	3,999	3,898	3%	14,786	5%	14,059	10%
RDA	642	636	1%	1,961	9%	1,792	2%
Petersen	2,495	2,527	-1%	8,726	7%	8,174	6%
General Media	630	638	-1%	2,519	2%	2,461	10%
Hachette	4,846	4,944	-2%	15,392	4%	14,852	13%
Conde Nast	5,193	5,571	-7%	17,940	7%	16,730	-5%
Times Mirror	1,301	1,409	8%	19,401	18%	16,481	24%
K III	1,289	1,404	-8%	5,219	10%	4,733	5%
Wenner	866	948	-9%	3,405	7%	3,177	16%
Hearst	3,283	3,812	-14%	14,154	7%	13,213	-1%
TOTAL	28,278	29,177	-3%	120,546	7%	112,244	7%

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Source: MIN 1994-96

MAGAZINE PERFORMANCE ANALYSIS

1997 OPPORTUNITIES

BY MAGAZINE/COMPANY

- TPV, Gruner & Jahr and Meredith will be looking to maintain increased 1996 business in 1997.
- Potential opportunity to negotiate with Conde Nast for smaller rate increase, if page counts in women's fashion books do not recover.
- Time, within the newsmagazine category, may be willing to maintain CPM's for the same or slightly lower business in order to maintain page levels, in light of the highly competitive nature of Newsweek and U.S. News.
- More rigidness anticipated by EW, People, and In Style due to their continued growth.
- Men's category should be negotiable due to flat or decreased paging.

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Industry Issues

Do not expect paper and postal increases for 1996

- Paper market leveling off - possibly dealing
- Paper demand is down
- Not expecting postage increases

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Budget Issues

Estimate total PM 1997 print budget to be DOWN BY \$6.0MM (\$109MM vs. 115MM) 1996

- Marlboro shifts to OOH (-\$2MM to \$15MM). This may affect certain categories of magazines or possibly all. Will know more after first week of May.
- Other brands (Basic, OPB) may shift more dollars into OOH following 1996

Kraft Cereals (Post) budgets may be down as a result of reduced pricing

Next Steps

Despite uncertainty of budgets, PM Cos. recommend going ahead with 1997 negotiations:

- RFP's to be issued simultaneously (@ 5/15, due @ 6/15)
- Final Costs to be issued by 7/19, prior to Kraft 1997 planning season

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